

# Key legal and tax differences when transacting in CEE



# Key differences: Legal



	Poland	Czech Republic	Hungary	Romania	Slovakia
<b>Type of real estate interest</b>	<ul style="list-style-type: none"> <li>ownership (freehold)</li> <li>RPU</li> <li>condominium</li> </ul>	<ul style="list-style-type: none"> <li>ownership</li> <li>building rights</li> <li>condominium</li> </ul>	<ul style="list-style-type: none"> <li>ownership (incl. co-ownership)</li> <li>condominium</li> </ul>	<ul style="list-style-type: none"> <li>ownership (main type of title)</li> </ul>	<ul style="list-style-type: none"> <li>ownership (freehold)</li> <li>condominium</li> </ul>
<b>Acquisition of Real Estate by foreigners</b>	<ul style="list-style-type: none"> <li>European Economic Area</li> <li>Other foreigners</li> </ul> <p><i>Exemptions: agricultural land and forest</i></p>	<p>No distinction between countries of origin</p> <p><i>Exemption: agricultural land owned by the state (EEA, Switzerland)</i></p>	<ul style="list-style-type: none"> <li>European Economic Area (agricultural forest)</li> <li>Eligibility criteria</li> </ul>	<p><i>Exemptions: agricultural land outside the city and forestry</i></p>	<ul style="list-style-type: none"> <li>European Economic Area</li> </ul> <p><i>Exemptions: agricultural land</i></p>
<b>Title certainty (Public Register)</b>	Public faith warranty principle	New „public warranty” principle, stronger than „good faith, but...”	Presumption on correctness (of registered rights)	Restitution claims	Good faith principle (10 years)
<b>Type of deal (asset, share, other)</b>	GAAR	<ul style="list-style-type: none"> <li>accession to debt in assets deals</li> </ul>	Case by case (new tax)	Mainly shares, but ...	Shares (tenant may terminate a lease, otherwise)

# Key differences: Tax



	Poland	Czech Republic	Hungary	Romania	Slovakia
<b>VAT</b>	<ul style="list-style-type: none"> <li>23% applicable to rent</li> <li>asset deals</li> </ul>	<ul style="list-style-type: none"> <li>21%</li> <li>Landlords elect to charge VAT</li> <li>asset deals</li> </ul>	<ul style="list-style-type: none"> <li>27%</li> <li>Landlords elect to charge VAT</li> <li>asset deals</li> </ul>	<ul style="list-style-type: none"> <li>24%</li> </ul>	<ul style="list-style-type: none"> <li>20%</li> <li>Landlords elect to charge VAT</li> <li>asset deals</li> </ul>
<b>CIT</b>	<ul style="list-style-type: none"> <li>15%</li> <li>19%</li> <li>capital gains                             <ul style="list-style-type: none"> <li>property</li> <li>shares</li> </ul> </li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>19%</li> <li>capital gains                             <ul style="list-style-type: none"> <li>property</li> <li>shares</li> </ul> </li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>10% for income up to HUF 500M (ap. EUR 1.6 M)</li> <li>19% on excess</li> <li>capital gains                             <ul style="list-style-type: none"> <li>property</li> <li>shares</li> </ul> </li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>16% (3% on micro-enterprises – annual turnover €65k)</li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>22%</li> <li>capital gains                             <ul style="list-style-type: none"> <li>property</li> <li>shares</li> </ul> </li> <li>subject to Double Taxation Treaties</li> </ul>
<b>Withholding tax</b>	<ul style="list-style-type: none"> <li>19% on dividends</li> <li>20% on interest on loans,</li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>15%</li> <li>subject to Double Taxation Treaties</li> </ul>	n/a to corporations only applicable to private individuals	<ul style="list-style-type: none"> <li>16%</li> <li>subject to Double Taxation Treaties</li> </ul>	<ul style="list-style-type: none"> <li>Nil on dividends</li> <li>19% on interest</li> <li>subject to Double Taxation Treaties</li> </ul>

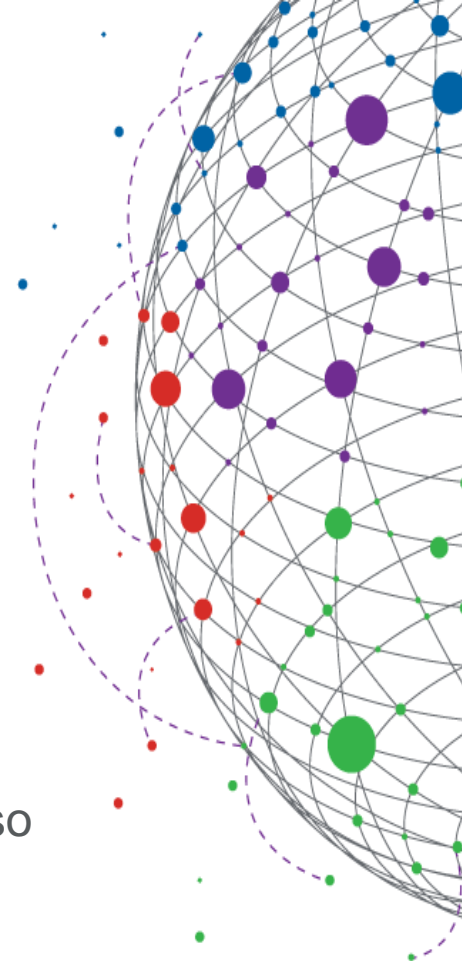
## Key differences: Tax (cont'd)



	Poland	Czech Republic	Hungary	Romania	Slovakia
<b>Tax losses</b>	<ul style="list-style-type: none"> <li>up to 5 years carried forward</li> <li>max. 50% to be utilized in one fiscal year</li> </ul>	<ul style="list-style-type: none"> <li>carried forward up to 5 years</li> </ul>	<ul style="list-style-type: none"> <li>accrued as of 2015, up to 5 years</li> <li>max 50% can be utilized in one year</li> </ul>	<ul style="list-style-type: none"> <li>carried forward up to 7 years</li> </ul>	<ul style="list-style-type: none"> <li>carried forward up to 4 years</li> <li>max 25% can be used in one fiscal year</li> </ul>
<b>Property tax</b>	<ul style="list-style-type: none"> <li>land (area)</li> <li>building (area)</li> <li>constructions (initial value)</li> <li>local authority</li> </ul>	<ul style="list-style-type: none"> <li>based on area of the building</li> <li>local authority</li> </ul>	<ul style="list-style-type: none"> <li>building</li> <li>land (in urban areas)</li> <li>local authority</li> </ul>	Typically <ul style="list-style-type: none"> <li>1.5% on book value of building, although ranges from 0.25% to 1.8%</li> </ul>	<ul style="list-style-type: none"> <li>land</li> <li>building</li> <li>local authority</li> </ul>
<b>Transfer tax</b>	<ul style="list-style-type: none"> <li>depends on type of transaction (from PLN 19 - on capped mortgages to 2% on real estate acquisition)</li> </ul>	<ul style="list-style-type: none"> <li>4% on sale of property (payable by buyer, although, it may be shared with the seller)</li> </ul>	<ul style="list-style-type: none"> <li>4% - 2% on asset deals capped at EUR 640k</li> <li>Share deals too, if 75% of assets (of the SPV) is real estate</li> </ul>	<ul style="list-style-type: none"> <li>asset deals—registry fees and notary fee up to 1% of value</li> <li>Share deals – nominal registry fees</li> </ul>	n/a

# Conclusions

- main difference: official language 😊 even that... is not, because people transact in English
- differences make actually similarities
- CEE became a competitive market
- mature economy
- healthy growth
- stability
- greater liquidity, especially in the largest countries
- stable legal system
- creates more opportunities, not just for portfolio deals, but also platform for deals



**Thank you for your attention**



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